

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 094923

45

ORIGIN SS-15

INFO OCT-01 CCO-00 RSC-01 SSO-00 ISO-00 /017 R

66650

DRAFTED BY P: ARAPHEL

APPROVED BY P: ARAPHEL

S/S: WLUERS

----- 092712

O 091600Z MAY 74 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

LIMITED OFFICIAL USE STATE 094923

TOSEC 453, FOR SISCO

FOLLOWING IS REPEAT STATE 94923 SENT ACTION CAIRO IAEA VIENNA
MAY 8:

QTE LIMITED OFFICIAL USE STATE 094923

E.O. 11652: N/A

TAGS: TECH

SUBJ: USAEC-EGYPTIAN DISCUSSIONS ON POWER REACTOR PROJECT

REF: CAIRO 2434

1. DISCUSSIONS HELD ON APRIL 29, MAY 2 AND 3, BETWEEN USAEC OFFICIALS AND EGYPTIAN TEAM LED BY DR. KAMAL EFFAT, DEPUTY DIRECTOR, EGYPTIAN ATOMIC ENERGY ESTABLISHMENT. OTHER EGYPTIANS PRESENT WERE: MAHER ABAZA, UNDER SECRETARY, MINISTRY OF ELECTRICITY AND; A. SHOVKRY EL-NAHAL, ECONOMIC MINISTER, EMBASSY OF EGYPT. WESTINGHOUSE REPRESENTATIVES ANABTAWI, HAMILTON, RAYBURN AND DUCRUET ALSO ATTENDED.

2. INITIAL DISCUSSIONS ON APRIL 29 WERE DEVOTED TO CLARIFYING VARIOUS QUESTIONS RAISED BY EGYPTIANS RE AGREEMENTS FOR COOPERATION AND SAFEGUARDS, AND FUEL SUPPLY POLICIES AS INDICATED IN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 094923

PARAS 3-13 BELOW.

3. RELATIONSHIP OF AGREEMENT FOR COOPERATION AND FUEL SUPPLY CONTRACT - EFFAT SAID TARGET DATE FOR COMPLETION OF FIRST EGYPTIAN POWER REACTOR IS 1981-82, AND HE RAISED QUESTION OF RELATIONSHIP BETWEEN CONTRACT FOR REACTOR FUEL SUPPLY AND BILATERAL AGREEMENT FOR COOPERATION. UNDER AEC POLICY, A COUNTRY DESIRING INITIAL DELIVERY OF FUEL BY JUNE 30, 1982, MUST SIGN A LONG-TERM, FIXED-COMMITMENT ENRICHMENT CONTRACT WITH AEC BY JUNE 30, 1974. ALTHOUGH CONCLUSION OF AN AGREEMENT FOR COOPERATION NORMALLY PRECEDES SIGNING A FUEL SUPPLY CONTRACT, EFFAT WAS ADVISED THAT AN ARRANGEMENT IS BEING CONTEMPLATED FOR SEVERAL COUNTRIES WHERE AGREEMENTS MIGHT NOT BE EFFECTIVE BY THE JUNE 30, 1974 DEADLINE. UNDER THIS ARRANGEMENT, A FUEL SUPPLY CONTRACT COULD BE SIGNED BY JUNE 30 WITH A PROVISION THEREIN THAT CONTRACT WOULD BE TERMINATED IF AGREEMENT NOT BROUGHT INTO EFFECT BY A SPECIFIED DATE (POSSIBLY SEPTEMBER 1975 BUT YET TO BE ESTABLISHED DEFINITELY). WHETHER THAT PORTION OF DOWN PAYMENT REQUIRED UNDER CONTRACT WILL BE REFUNDED TO CUSTOMER IN SUCH EVENT WILL DEPEND UPON WHETHER FAILURE TO BRING AGREEMENT INTO EFFECT WAS THE FAULT OF THE USG OR THE OTHER PARTY.

4. RELATIONSHIP OF SAFEGUARDS AGREEMENT TO FUEL SUPPLY CONTRACT - IN RESPONSE TO EFFAT'S QUERY AS TO WHETHER AN AGREEMENT PROVIDING FOR THE APPLICATION OF SAFEGUARDS OF THE INTERNATIONAL ATOMIC ENERGY AGENCY HAD TO BE IN EFFECT AT THE TIME OF THE SIGNING OF THE FUEL SUPPLY CONTRACT, IT WAS STATED THAT THE U.S. REGARDS THE SAFEGUARDS AGREEMENTS AS GOING IN PARALLEL WITH THE AGREEMENT FOR COOPERATION AND THAT THEY WOULD NORMALLY BE BROUGHT INTO EFFECT AT THE SAME TIME. NEGOTIATION OF THESE TWO AGREEMENTS COULD PROCEED TOGETHER. THE SAFEGUARDS AGREEMENT WOULD NOT HAVE TO BE IN EFFECT AT THE TIME OF SIGNING OF THE FUEL SUPPLY CONTRACT. IT SHOULD, OF COURSE, BE UNDERSTOOD THAT PURSUANT TO THE USG OBLIGATION UNDER THE NPT NO EXPORT OF A REACTOR OR SPECIAL NUCLEAR MATERIAL COULD TAKE PLACE IN ANY EVENT IN THE ABSENCE OF IAEA SAFEGUARDS.

5. AGREEMENT PROCEDURE - PROCEDURES FOR CONCLUDING AN AGREEMENT FOR COOPERATION WERE REVIEWED, INCLUDING REACHING AGREEMENT ON TEXT, FORMAL AEC AND DEPARTMENT OF STATE APPROVAL, INITIALING OF TEXT, APPROVAL BY PRESIDENT, SIGNING OF AGREEMENT, SUBMISSION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 094923

TO JOINT COMMITTEE ON ATOMIC ENERGY OF THE CONGRESS FOR 30 DAYS WHILE BOTH HOUSES ARE IN SESSION, AND FORMAL EXCHANGE OF NOTES BRINGING AGREEMENT INTO FORCE.

6. EFFAT WAS ADVISED THAT U.S. COOPERATION WITH EGYPT ON POWER REACTOR PROJECT WAS LOOKED UPON AS VERY SIGNIFICANT UNDERTAKING REQUIRING ATTENTION OF U.S. OFFICIALS AT VERY HIGH LEVEL. QUESTION OF A BILATERAL AGREEMENT FOR COOPERATION ON ATOMIC ENERGY WITH

EGYPT IS CURRENTLY UNDER VERY ACTIVE CONSIDERATION WITHIN THE USG AND IT IS HOPED THIS CONSIDERATION COULD BE CONCLUDED WITHIN MATTER OF WEEKS.

7. FEED MATERIAL SUPPLY - EFFAT WAS INFORMED AEC DOES NOT SUPPLY NATURAL URANIUM FOR REACTOR FUEL BUT THAT AEC, AS WELL AS WESTINGHOUSE AND CONSULTING FIRMS, COULD PUT THEM IN TOUCH WITH URANIUM PRODUCERS IN U.S. OR THEY COULD OBTAIN ENRICHMENT FEED FROM SOURCES OUTSIDE OF THE U.S. SHOULD THEY SO DESIRE.

8. OTHER RELATED CONTRACT ARRANGEMENTS - EFFAT, REFERRING TO THE VARIOUS CONTRACTS REQUIRED IN A POWER REACTOR PROJECT, INQUIRED WHETHER THE AEC COULD PACKAGE ALL CONTRACTS INTO ONE MASTER CONTRACT FOR EGYPT. HE WAS TOLD THAT WHILE AEC COULD NOT PERFORM THIS SERVICE, THERE ARE U.S. CONSULTING FIRMS WHICH WOULD BE GLAD TO TAKE OVER THESE ARRANGEMENTS AND THAT AEC COULD PROVIDE EFFAT NAMES OF THESE FIRMS. AEC IS PREPARED TO DEAL WITH WHOMEVER EGYPT DESIGNATES AS ITS AGENT.

9. CONTRACT TERMINATION - EFFAT REQUESTED CLARIFICATION OF AEC'S CONTRACT TERMINATION CHARGES. IT WAS EXPLAINED THAT SUCH CHARGES ARE NECESSARY BECAUSE AEC MUST CONTRACT FAR IN ADVANCE FOR THE ELECTRIC POWER REQUIREMENTS OF ITS GASEOUS DIFFUSION PLANTS AND MUST BE ASSURED OF INCOME TO MEET THESE POWER COSTS. IF, HOWEVER, EGYPT CEASED TO HAVE NEED FOR MATERIAL TO BE TAKEN UNDER THE CONTRACT, BUT ANOTHER ELIGIBLE BUYER COULD BE FOUND FOR THE ENRICHMENT SERVICES REMAINING UNDER CONTRACT, IMPACT OF TERMINATION CHARGES COULD BE REDUCED OR ELIMINATED DEPENDING ON PRICE THE NEW BUYER AGREED TO PAY AND SCHEDULE OF HIS REQUIREMENTS.

10. AEC NOTED ITS COMMITMENT UNDER A FUEL SUPPLY CONTRACT IS FOR 30 YEARS, WHILE CUSTOMER'S IS ONLY FOR FIRST TEN, AFTER WHICH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 094923

HE IS FREE TO CONTRACT WITH OTHER SUPPLIERS FOR ENRICHING SERVICES OR TO CONTINUE WITH AEC ON A "ROLLING" TEN-YEAR ADVANCE NOTICE BASIS.

11. AS TO WHAT RECOURSE EGYPT WOULD HAVE IF AEC DEFAULTED ON THE CONTRACT, IT WAS STATED THAT EGYPT COULD TAKE LEGAL RECOURSE AVAILABLE TO IT TO SUE THE AEC FOR BREACH OF CONTRACT. IT WAS FURTHER NOTED, HOWEVER, THAT AEC DOES NOT ACCEPT LIABILITY FOR "CONSEQUENTIAL DAMAGES", MEANING LOSSES OCCURRING AS RESULT OF SHUT-DOWN OF THE REACTOR.

12. LOSS OF FUEL AND INDEMNITY - WITH RESPECT TO POSSIBLE LOSS OF FUEL OR ACCIDENTS INVOLVING THE FUEL, IT WAS EXPLAINED THAT THE CUSTOMER TAKES TITLE TO THE FUEL AT THE AEC PLANT AND IS RESPONSIBLE FROM THAT POINT ON. U.S. (PRICE-ANDERSON)

INDEMNITY LEGISLATION COVERS THE FUEL WHILE IT IS IN U.S.

13. FUEL REPROCESSING - EFFAT INQUIRED ABOUT REPROCESSING SPENT FUEL ELEMENTS AND WAS INFORMED THAT ANY REPROCESSING IN U.S. WOULD BE PERFORMED BY PRIVATE COMPANIES AND THAT REPROCESSING SERVICES WILL ALSO BE AVAILABLE ABROAD.

14. EFFAT ALSO ASKED ABOUT THE POSSIBILITY OF AEC BUYING PLUTONIUM PRODUCED IN EGYPTIAN REACTOR AND WAS ADVISED THAT THIS WOULD NOT BE CONSISTENT WITH CURRENT AEC POLICY. ALTERNATIVES TO STORAGE, WERE TO RECYCLE PLUTONIUM AS FUEL IN THE REACTOR OR FIND A PURCHASER FOR THE PLUTONIUM. FYI: IT SHOULD BE NOTED, HOWEVER, THAT DRAFT AGREEMENT FOR COOPERATION, CURRENTLY UNDER HIGH-LEVEL REVIEW, FOR PRESENTATION TO EGYPT WILL CONTAIN AT LEAST NORMAL RESTRAINTS, INCLUDING SAFEGUARDS, ON TRANSFER OF PRODUCED PLUTONIUM AND MAY INCLUDE SOME SPECIAL RIGHTS GOVERNING ITS DISPOSITION. END FYI

15. MEETINGS MAY 2 AND 3 WERE DEVOTED TO DETAILED DISCUSSIONS OF PROVISIONS OF SAMPLE FUEL SUPPLY CONTRACT. A SAMPLE FUEL SUPPLY CONTRACT, WITH AD REFERENDUM, STAFF LEVEL AGREED UPON CHANGES, WILL BE PROVIDED TO THE EGYPTIANS LATER WITH COPY TO EMBASSY. RUSH

U

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUPPLIES, NUCLEAR POWER PLANTS, ELECTRIC POWER, PROGRAMS (PROJECTS), BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE094923
Document Source: CORE
Document Unique ID: 00
Drafter: ARAPHEL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740112-0570
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740564/aaaacezp.tel
Line Count: 185
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: CAIRO 2434
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2002 by collinp0>; APPROVED <07 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USAEC-EGYPTIAN DISCUSSIONS ON POWER REACTOR PROJECT
TAGS: TECH, EG, (EFFAT, KAMAL)
To: CAIRO IAEA VIENNA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005